The 2026 Election and the Future of Federal Tax Policy
What Farmers, Ranchers and Business Owners Should Expect

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Overview

The November 2026 elections have substantially changed the political landscape in Washington. With Democrats gaining control of both the House and Senate, the next two years could bring considerable debate over federal tax policy. But a change in congressional control does not automatically change the Internal Revenue Code.

For farmers, ranchers, agricultural businesses, and other closely held businesses, the central question is what the election results mean for the One Big Beautiful Bill Act (OBBBA), enacted in July 2025. The legislation significantly changed, in a manner particularly favorable to taxpayers, businesses, and especially farm and ranch operations, individual income taxation, business deductions, depreciation, family tax credits, and estate and gift taxation.

Some provisions are permanent, while others expire after 2028.

One constitutional consideration will loom particularly large: President Trump retains the power to veto legislation that would reverse significant portions of his administration's tax policy.

Congressional Control Doesn't Mean Tax Law Changes

Democrat control of both chambers means the party will control the legislative agenda beginning in January 2027.

Committee leadership, legislative priorities, and consideration of tax legislation will change accordingly. Democrats will have opportunities to advance proposals to modify individual tax rates, business taxation, energy incentives, and the estate tax. It can be anticipated that any such proposals would generally be viewed as negative to taxpayers, including farm and ranch operations – not a single Democrat voted in favor of the OBBBA. They can also conduct oversight hearings.

But President Trump remains in office. Any legislation must receive his signature or survive a presidential veto. Overriding a veto requires a two-thirds vote in both chambers, a substantial hurdle. Congressional

control does not give either political party unrestricted authority to implement its tax agenda. This makes it important for taxpayers to distinguish between political proposals and actual changes in federal tax law.

Individual Income Tax Rates: Stability Matters

One of the most important accomplishments of the OBBBA was making permanent the individual income tax rate structure established under the 2017 Tax Cuts and Jobs Act thereby preventing tax increases for all taxpayers (except those in the 10% tax bracket who would not have received a tax increase had the OBBBA not passed). The seven federal income tax brackets remain at 10%, 12%, 22%, 24%, 32%, 35%, and 37%. The legislation also made permanent the increased standard deduction.

For 2026, it is $32,200 for married couples filing jointly and $16,100 for single taxpayers.

This stability matters considerably to agricultural taxpayers. Farm income is notoriously volatile. Commodity prices, livestock markets, crop insurance proceeds, weather conditions, and farmland sales can produce substantial differences in taxable income from year to year.

A predictable tax rate structure provides a foundation for investment, retirement, and succession planning. Although a future Congress could change the rates, the election results do not automatically restore the pre-2017 tax structure.

The 2028 Expiration Date: Not All OBBBA Provisions Are Permanent

Some OBBBA provisions are permanent under current law, while others are temporary. Several provisions generally apply through December 31, 2028, including:

- The deduction for qualified tips.
- The deduction for qualified overtime compensation.
- The deduction for qualifying automobile loan interest.
- The additional deduction for taxpayers age 65 and older.

These provisions generally apply for tax years 2025 through 2028, subject to eligibility requirements and income limitations. Congress will eventually have to decide whether to extend, modify, or allow these deductions to expire. This makes 2029 the key year for congressional consideration of tax legislation following the 2028 elections. The end of 2028 is therefore the key tax-planning date.

Depreciation: A Major Victory for Agricultural Investment

Perhaps no OBBBA provision is more important to agricultural businesses than the restoration of 100% bonus depreciation. The legislation restored 100% bonus depreciation for qualifying property acquired and placed in service after January 19, 2025. Unlike several individual tax provisions, this is permanent under current law. The implications for agriculture are substantial.

Tractors, combines, grain storage facilities, irrigation equipment, livestock facilities, qualifying farm buildings, and other productive assets require significant capital investment. Where statutory requirements are satisfied, bonus depreciation allows the taxpayer to deduct the entire qualifying cost in the year the property is placed in service.

Observation: From an economic standpoint, immediate expensing reduces the after-tax cost of investment and improves cash flow. It also reduces the tax penalty associated with investing in productive capital.

The OBBBA also established a special depreciation allowance for qualifying production property under I.R.C. §168(n). Certain agricultural production facilities may qualify, depending on acquisition, construction, and placed-in-service requirements. IRC §168(n) requires that the property be used as an integral part of a qualified production activity. That activity must involve manufacturing, production, or refining that results in a substantial transformation of the property.

The provision also has specific construction-start and placed-in-service deadlines. Construction generally must begin after January 19, 2025, and before January 1, 2029, and the property must be placed in service before January 1, 2031.

Note: Taxpayers must evaluate bonus depreciation alongside Section 179, regular MACRS depreciation, business income limitations, and potential recapture consequences. An immediate deduction is not necessarily the best result in every situation.

These depreciation provisions are particularly important to agriculture, and the Trump Administration can be expected to resist legislative efforts to substantially reverse them.

IRC §199A: The Qualified Business Income Deduction

Another major provision for agricultural businesses is the IRC §199A qualified business income deduction. The OBBBA made the IRC §199A qualified business income deduction permanent and added a minimum $400 deduction for taxpayers with at least $1,000 of qualified business income from actively conducted businesses in which they materially participate. This provision is especially important because much of American agriculture operates through sole proprietorships, partnerships, LLCs, and S corporations.

These businesses generally pass income through to their owners.

Subject to applicable limitations, IRC §199A can provide a deduction of up to 20% of qualified business income. W-2 wage and qualified property limitations can be particularly important for agricultural operations, along with taxable income limitations and other statutory requirements.

Observation: From a tax-policy perspective, IRC §199A helps address the disparity between the taxation of C corporations and pass-through businesses.

Importantly, IRC §199A is permanent under current law and is not scheduled to expire at the end of 2028.

Tax Credits and Trump Accounts

Tax credits could become another area of considerable disagreement in the next Congress. The OBBBA modified several energy-related incentives. One particularly important provision for agriculture is the IRC §45Z clean fuel production credit. Farmers generally do not claim this credit directly. Qualifying fuel producers claim it, but the credit can influence demand for agricultural feedstocks, including corn and soybeans, and affect the economics of ethanol and renewable diesel production.

Changes to IRC §45Z can therefore have consequences extending well beyond the fuel industry.

The OBBBA also expanded the Child Tax Credit, increasing the maximum credit from $1,000 to $2,200 per qualifying child for 2026 ($2,300 for 2027), subject to applicable requirements. The refundable amount of the credit is $1,700 per qualifying child under age 17 ($1,800 in 2027).

Another new feature is the creation of Trump Accounts. These tax-advantaged accounts provide investment opportunities for eligible children, including a one-time $1,000 federal contribution for

qualifying children born during 2025 through 2028. Parents and others may contribute, subject to statutory limitations, and employers may contribute under special rules.

For agricultural families interested in intergenerational wealth accumulation, these accounts deserve attention. They are not substitutes for IRC §529 plans, trusts, or comprehensive farm succession arrangements, but they provide another potential planning tool.

Observation: A Trump Account established at birth with the $1,000 federal seed contribution, supplemented by maximum annual contributions (made at the beginning of each year) of $5,000 through age 17, could accumulate approximately $150,000 by age 18 (at which time the account turns into a traditional IRA subject to IRA rules) assuming a 5% annual investment return. That provides a substantial financial head start for college, a first home, or other early-adult financial needs.

If the child (beneficiary) leaves the approximately $150,000 invested and earns an average annual return of 5% without additional contributions or withdrawals, the account could grow to approximately $2.2 million (nominal) by age 73. A 7% average growth rate would result in an account balance at age 73 of over $6 million.

Estate and Gift Taxes: Significant Relief for Farm Families

Estate and gift taxation remains one of the most important federal tax issues for agricultural families. The OBBBA permanently increased the federal estate and gift tax basic exclusion amount to $15 million per person beginning in 2026, indexed for inflation. For a married couple, that provides a combined $30 million exclusion. Portability of the deceased spouse's unused exclusion amount could also be leveraged to increase the $30 million amount. This is significant for agriculture.

Farmland values have appreciated substantially in many parts of the country. A family may have relatively modest debt but own millions of dollars in agricultural real estate, machinery, livestock, and other business assets.

The increased exclusion provides considerable relief and greater flexibility in transferring agricultural property to the next generation. However, estate planning has not become unnecessary. The exclusion applies to taxable lifetime gifts and assets included in the estate, subject to applicable rules. Valuation issues remain important, particularly for agricultural land and closely held businesses.

Moreover, estate tax planning and income tax basis planning are separate matters. A farmer may own farmland with a relatively low income tax basis but substantial fair market value. The potential basis adjustment at death can be extremely important to the next generation. For a significant subset of farming families, succession, ownership arrangements, family relationships, and business continuity remain essential considerations.

Although prior Democrat proposals have targeted reducing the estate tax exclusion significantly and eliminating the full basis "step-up" at death, the $15 million amount and the fair market value basis at death rule is permanent under the OBBBA and is not scheduled to revert to a lower amount after 2028. Any proposed reduction would require new legislation and, through 2028, would face the President's veto authority.

The Larger Economic Picture

Agriculture operates on relatively thin margins in many sectors and requires substantial capital investment. Farmers and ranchers face commodity price volatility, high input costs, interest rate exposure, weather uncertainty, and international market pressures.

Tax policy cannot solve all these problems. Nor should taxpayers assume a deduction automatically makes an otherwise uneconomic investment worthwhile. A farmer does not purchase a $500,000 combine simply because the tax code allows immediate expensing. The investment still has to make economic sense.

Nevertheless, predictable tax policy matters. A sound tax system should emphasize predictability, capital formation, investment incentives, and respect for private property.

These principles are particularly important in agriculture, where business decisions frequently involve substantial capital commitments extending over many years. Restoring 100% bonus depreciation, making IRC §199A permanent, and increasing the estate and gift tax exclusion can improve after-tax returns, encourage productive investment, and facilitate family business succession.

The Bottom Line

The 2026 elections have changed the political equation in Washington, but they have not changed the IRC. The OBBBA remains the governing framework for federal tax planning. President Trump's veto

authority will be an important obstacle to legislative efforts that substantially reverse his administration's tax policy.

Three distinctions deserve particular attention:

- First, 100% bonus depreciation, the 20% IRC §199A deduction, and the $15 million estate and gift tax exclusion are permanent under current law.
- Second, deductions involving tips, overtime compensation, automobile loan interest, and the additional senior deduction are temporary and generally expire after December 31, 2028.
- Third, political debate should not be confused with actual changes in the law.

The next two years could produce considerable uncertainty. But taxpayers should focus on understanding and properly using the provisions currently available. Take advantage of legitimate depreciation opportunities, review IRC §199A planning, revisit estate and gift tax strategies, and consider whether Trump Accounts make sense for younger family members.

Above all, business investment decisions should be based on sound economics rather than simply the availability of a tax deduction.

The election has changed the political landscape. It has not changed the tax law. Until Congress passes new legislation and the President signs it, the OBBBA remains the law of the land. Expect next to nothing to happen in the tax legislative world over the next two years. And that's a good thing.

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